

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2017

Docket No. ACR2017

CHAIRMAN'S INFORMATION REQUEST NO. 5

(Issued January 19, 2018)

To clarify the basis of the Postal Service's FY 2017 Annual Compliance Report (ACR), filed December 29, 2017,¹ the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than January 26, 2018.

USPS Marketing Mail

1. In previous ACRs, the Postal Service provided the "FSS Scorecard," which measures critical aspects of Flats Sequencing System (FSS) performance at each processing location.² The FSS Scorecard was not provided in the Postal Service's FY 2017 ACR.
 - a. Please provide the FY 2017 FSS Scorecard.
 - b. Please provide a comparison of FSS performance from FY 2013 to FY 2017 and discuss the effectiveness of the FSS Scorecard in improving FSS performance.
2. The Postal Service states that the increase in USPS Marketing Mail Flats "was due in part to the migration of [FSS] pieces from Flats to Carrier Route Flats as a result of the Docket No. R2017-1 price change." FY 2017 ACR at 15. Please

¹ United States Postal Service FY 2017 Annual Compliance Report, December 29, 2017 (FY 2017 ACR).

² See, e.g., United States Postal Service FY 2016 Annual Compliance Report, December 29, 2016, at 28 (FY 2016 ACR).

identify the other factors that contributed to the increase in USPS Marketing Mail Flats costs.

3. The FY 2010 ACD directed the Postal Service to provide a statement that included “the estimated timeline for phasing out [the flats product] subsidy.”³ Please provide a timeline of when the Postal Service anticipates the USPS Marketing Mail Flats product will have a cost coverage at or above 100 percent.
4. The Postal Service states that additional bins for bundle sorting machines have reduced the need for secondary sortation. FY 2017 ACR at 27. Please provide an estimate of the cost reduction resulting from this decreased need for secondary sortation.
5. In the FY 2016 Annual Compliance Determination, the Commission stated “the Postal Service should explore and implement opportunities to further reduce the unit cost of Standard Mail Parcels and report on those opportunities and results in the FY 2017 Annual Compliance Report.”⁴ Please identify and explain any efforts by the Postal Service to reduce the unit cost of USPS Marketing Mail Parcels in FY 2017.
6. Please refer to the operational changes designed to reduce flats costs. See FY 2017 ACR at 25-31.
 - a. Please confirm that all of the operational changes discussed were also in effect during FY 2016. If not confirmed, please identify the operational changes not in effect in FY 2016.
 - b. Please explain if the Postal Service is undertaking any new operational changes in FY 2018 to reduce flats costs. If new operational changes are planned, please discuss those changes.

³ Docket No. ACR2010, Annual Compliance Determination, March 29, 2011, at 107.

⁴ Docket No. ACR2016, Annual Compliance Determination, March 28, 2017, at 59.

Inbound Letter Post Service Performance

7. Please refer to Library Reference USPS–FY17–NP31, January 12, 2018, files “ChIR 1 Q2 - QS Link - Final 2016.pdf” and “ChIR 1 Q3 - QS Link - YTD 2017.pdf,” and Library Reference USPS–FY16–NP31, January 13, 2017, files “ChIR.3.Q.8 - UPU QS Link Performance December 2015_Redacted.pdf” and “ChIR.3.Q.9. - UPU QS Link Performance November 2016_Redacted.pdf.” Please explain the decline in Inbound Letter Post service performance from CY 2016 to CY 2017 (year-to-date).
8. Please refer to the Postal Service’s response to question 2 of Commission Information Request No. 2 in Docket No. ACR2008,⁵ in which the Postal Service summarized the major differences between the Universal Postal Union Quality Link Measurement System and International Mail Measurement System. Please provide an updated summary of the differences between these systems.

Inbound Market Dominant PRIME Tracked Service Agreement

9. Please refer to the Postal Service response to Chairman’s Information Request No. 1, question 5.⁶
 - a. Please file revised financial workpapers for the Inbound Market Dominant PRIME Tracked Service Agreement (Docket Nos. R2017-3 and MC2017-71). These revised workpapers should reflect actual volume and participating countries data, as discussed in the Response to CHIR No. 1, question 5.
 - b. Please provide details regarding the expected improvements in the net financial position or operations of the Postal Service. The expected

⁵ Docket No. ACR2008, Responses of the United States Postal Service to Questions 2-12 of Commission Information Request No. 2, February 6, 2009, question 2.

⁶ Responses of the United States Postal Service to Questions 1-16 of Chairman’s Information Request No. 1, January 12, 2018, question 5 (Response to CHIR No. 1).

improvements in the net financial position of the Postal Service must reflect actual volume and participating countries data, as discussed in the Response to CHIR No. 1, question 5.

10. Please refer to Library Reference USPS–FY17–NP2, December 29, 2017, folder “ICRA Core Files,” Excel file “Inputs.xls,” tab “Product-Specific Costs,” row 32.
 - a. Please confirm that the product-specific costs of the PRIME agreements are specific to each agreement and not a general cost for participation in PRIME. If not confirmed, please explain why the Postal Service distributed these costs among these products.
 - b. Please explain why this cost is non-additive.

By the Chairman.

Robert G. Taub